



EXECUTIVE SUMMARY

WHERE ARE WE?

Before casually suggesting major changes in the way state government operates, the commission looked closely at where South Carolina stands. Certain vital statistics are important to understanding a state and its government. Some statistics are straightforward and unoffending. For example, South Carolina's population is currently 4,107,000 and ranks 25th among the states. The percentage of growth in population from 2000 to 2002 was +2.1%. Its current population of individuals under 18 years old is 25.2%, and its 65 and older segment is 12.1%, both ranking around 30th among the states.

But some vital statistics are troublesome. For instance, the infant mortality rate in South Carolina is at 8.7 per 1,000 births and this ranks our state 6th among all states. Violent crime per 100,000 population is at a rate of 720 annually and places South Carolina 5th highest in the nation. The unemployment rate, though changing constantly, is approximately 5.4% and gives the state 8th place in state rankings. The percentage of residents living below poverty level is 14.1% and ranks South Carolina 13th among states. Finally, traffic fatalities are high, comparatively speaking. Traffic fatalities are 2.3 per 100 million vehicle miles placing South Carolina 3rd among the 50 states.

This picture of South Carolina is unacceptable. The MAP Commission believes we must work diligently to address the underlying problems suggested by these statistics. Our state leaders must concentrate our plentiful human resources and energies on improving the health, safety and quality of life for all South Carolinians. Thus, the question, "Why reform state government?" Vital statistics, we feel, give us cause to pursue serious change.

PREVIOUS STUDIES

Dozens of previous studies have been conducted and have resulted in recommended changes to the way South Carolina's government is organized and operates. These studies have documented serious and systemic problems with state government, yet they largely have gone unheeded. Many of the recommendations found in this report echo suggestions by the Legislative Audit Council, the KPMG Performance Audit Review, the Commission on Government Restructuring, and other special study committees during prior administrations.

In the past 80-odd years, for example, the State of South Carolina has conducted 14 major reorganization studies. These studies have consistently found that state government in South Carolina has too many governmental units, making it fragmented, unwieldy, and

unaccountable. These reorganization studies have argued — unsurprisingly — for fewer state agencies and departments, increased coordination, better management systems, and an improved “chain of command” with clearer lines of authority and responsibility. Prior to 1993, there were some 145 autonomous state entities. Today, there remain roughly 55 independent agencies, boards and commissions, besides the 13 cabinet agencies, other divisions, and a “long ballot” of nine statewide constitutional officers.

The MAP Commission believes that these previous studies and recommendations by internal and external groups alike are a succession of evidence — confirmation, if you like — for undertaking substantial reform. The commission feels strongly that it is time to restructure key support functions and to realign programs and services to eliminate duplication of effort, inefficiencies and poor service quality. The MAP Commission’s study and all previous studies confirm that state government is, in many senses, broken, and is in need of repair. The members of MAP believe this comprehensive report adds one more compelling reason to rethink and reinvent state government in the Palmetto State.

THE FINANCIAL CRISIS

The MAP Commission clearly recognizes the dire financial crisis of state governments across the nation.

In the biannual report recently published by the National Governors Association and the National Association of Budget Officers, entitled *The Fiscal Survey of the States*, it finds that even with a substantial reduction in state spending, 37 states were obliged to reduce their budgets by more than \$12.8 billion in FY 2002. In FY 2003, state budgets were reduced roughly an additional \$9 billion.

In South Carolina the budget situation has worsened since May 2001. At that time, a 1% (\$48 million) across-the-board reduction was ordered. In July 2001, budgets for FY 2002 were slashed another \$176.5 million. Then a 4% cut (\$204 million) took place in October 2001, and another 2.52% (\$121.7 million) midyear cut occurred in March 2002.

FY 2003 began with a budget reduction of \$144.7 million. In December 2002, an additional 5% cut (\$246.6 million) was followed by a \$120 million decrease in January 2003.

As of today the situation does not look promising. Speculation is that an extra \$100 million reduction, sometime this fall, could impact the state’s current budget for FY 2004.

The MAP Commission believes that this deepening financial crisis clearly precipitates a need to reform state government. With shrinking revenues, and unfavorable economic times in all probability ahead, state government needs to be seriously overhauled in order to maximize efficiency and worker productivity.

EXTERNAL FORCES

National and international developments in the past decade significantly altered the responsibilities of state government. These include, but are not limited to, the war on terrorism, globalization and federal devolution.

Terrorism. In the short-term, states are certainly at risk of terrorism. States will find it necessary to undertake counter-terrorism steps. This will include mainly securing utilities, public buildings, etc. against terrorist strikes. It will also require attention to protecting IT applications and software.

In the long-term, whether these trends pose an increasing threat to South Carolina depends on a number of variables, including changes in international and domestic political currents, how the public and media react to terrorism, how governments deal with terrorism, and whether the terrorists themselves discontinue or change strategies and tactics.

MAP feels confident that state government priorities in South Carolina must be reassessed in light of potential security threats. Strengthening law enforcement and public safety functions such as inter-agency communication will aid in the war against terrorism.

Globalization. People around the globe are more connected to each other than ever before. Information and money flow more quickly than ever. Goods and services produced in one part of the world are increasingly available in all parts of the world. South Carolina has lost a great deal of its textile industry, for example, to overseas markets. This phenomenon has been titled "globalization." This globalization requires that government compete with neighboring states and with countries throughout the world for markets and commerce.

The MAP Commission recognizes the impact of globalization and believes that this is a motivating factor for upgrading our Information Technology and e-commerce capabilities.

Federal Devolution. Devolution is the transference of rights, powers or responsibilities to another, especially from a central government to local authorities. The past two decades have had profound implications for state government in South Carolina. The loss of substantial federal funding has been particularly pronounced. MAP believes this trend will continue and that state government will be required to do more for less.

THE MAP PROCESS: A PRIVATE/PUBLIC PARTNERSHIP

COMMISSIONERS

- A bi-partisan body created by executive order
- 12 individuals from private sector, 2 constitutional officers

TASK FORCE VOLUNTEERS

- 10 Task Forces
- Over 300 volunteers from private sector, state employees and legislators

STAFF SUPPORT

- Over 30 staff and consultants supported this effort

PUBLIC HEARINGS

- 7 Hearings around the state

CITIZEN SURVEY

- Input received from 3,071 citizens

EMPLOYEE SURVEY

- Suggestions received from 12,391 state employees

PUBLIC POLL

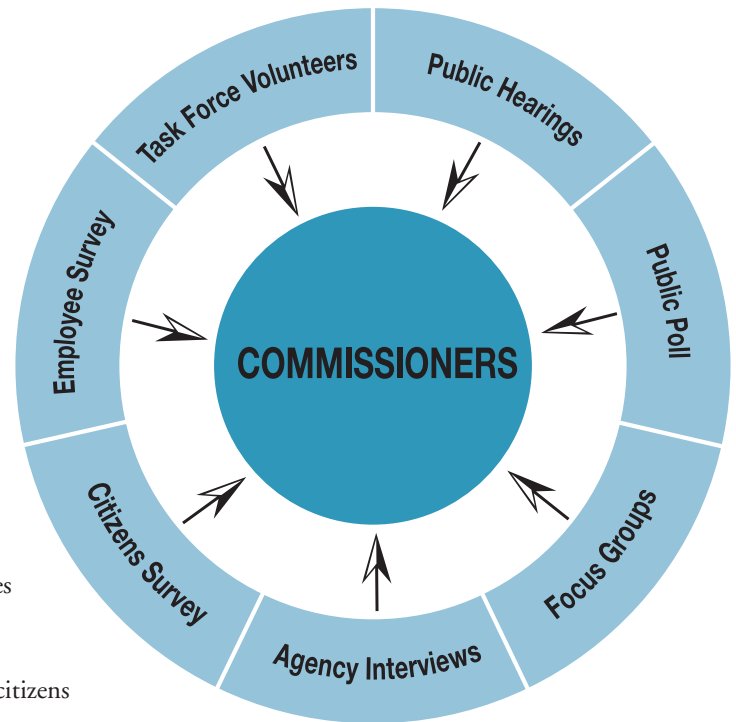
- Opinions solicited from 500 randomly-selected citizens

FOCUS GROUPS

- Focused discussions with citizens and state employees

AGENCY INTERVIEWS

- Input solicited from directors of all state agencies



MAKING GOVERNMENT WORK

South Carolinians want services, but they want them to be priority driven. And they want a government that is managed efficiently and effectively. In focus groups, in response to surveys and in public hearings, the people of South Carolina clearly stated that they are ready for change. In their words:

“Continue to strive to consolidate duplicated services by several agencies into one cohesive unit. I think this would help citizens who need help but don’t know where to start to receive services they may need.”

“State government needs to be more accessible to the everyday citizen. When a citizen needs to use services provided by the state, they should have an easy, clear way to determine how to do it, without having to jump through multiple hoops.”

“I experienced what I came to call the Kremlin culture We’ve heard about collaboration, cooperation and cross-agency communication ad-nauseum. Let’s have strong leadership to make that a reality....”

To accomplish these goals, an improved government structure would be one that:

- Provides for strict accountability (establishes clear lines of authority);
- Employs functional organization and management practices that eliminate wasteful spending (integrates functions into a smaller number of units);
- Identifies goals and objectives that solve real and identifiable problems;
- Measures the progress and costs of governmental activities, and based on these measurements, makes corrective actions as appropriate to maximize results;
- Makes use of technologies that aid in the resourceful and proficient delivery of services;
- Recruits and maintains competent personnel;
- Provides for citizen participation; and
- Emphasizes customer service and responsiveness.

Currently our state is comprised of some 55 independent agencies and 13 cabinet agencies within the executive or administrative arm of state government. These agencies fall inside several broad functional categories which include public and special education, higher education, health and human services, natural resources, regulatory functions and central administration.

For example, public and special education consists of several autonomous agencies in addition to the Department of Education. These agencies include the Wil Lou Gray Opportunity School, the School for the Deaf and Blind, and the John de la Howe School, in addition to the Educational Television Commission. Total funds for these schools in FY 2003 were \$61,763,485 and total authorized full-time employees (FTEs) were 983.

Of even greater consequence, the health and human services area includes five major independent agencies with a staggering FY 2003 total budget of \$1,385,482,694 and 16,401 total FTEs. These include Vocational Rehabilitation (\$105,082,614 and 1,240 FTEs), the Department of Health and Environmental Control (\$495,680,199 and

5,601 FTEs), the Department of Mental Health (\$344,935,818 and 6,377 FTEs), the Department of Disabilities and Special Needs (\$429,232,394 and 3,027 FTEs), and the Commission for the Blind (\$10,551,669 and 156 FTEs).

Finally, the Budget and Control Board consists of eight divisions and 32 “offices” or units. Its functions include facilities management, procurement, transportation, retirement benefits, human resources, insurance services, budget management, research and statistics, information technology, audit and numerous others. It is headed up by an executive director and includes a chief of staff, board secretary, and general counsel. All total, the budget for the board is \$240,214,752 and 1,279 FTE’s.

SUMMARY OF RECOMMENDATIONS

In tackling the massive assignment to review state government, the MAP Commission decided first to look at the major support functions undergirding the work of each state agency. In other words, every agency has certain basic functions in common. Each has facilities, employees, information technology systems and vehicles; it operates on a budget; it serves a set of constituents. Seven of the ten MAP committees, therefore, focused primarily on specific functions that cut across all agencies of state government.

Another of the committees, Organizational Structure, examined the overall organizational chart for state government, including the executive branch and the many agencies, boards and commissions, to look for logical ways to streamline the structure. To measure the degree of satisfaction or dissatisfaction with state government, the Customer Satisfaction Committee focused its efforts on probing the opinions of citizens and state employees. Finally, one committee undertook an intensive operational review of one particular agency, the Department of Social Services, with an eye toward restructuring the internal organization to improve both efficiency and effectiveness.

In **Organizational Structure**, the commission finds that the state agencies operate as a collection of independent fiefdoms, and not as a cohesive whole. The commission therefore establishes clearer lines of authority and accountability by clustering agencies by major functions under a single cabinet secretary in order to eliminate costly overlaps and the unnecessary duplication of efforts. Clustered agencies remain as separate agencies and are not merged, but have their administrative functions consolidated to help assure that significant cost savings are realized. At the same time, the commission believes the constituents will experience a higher quality of service. The commission also recommends reducing the number of constitutional officers at least from nine to six — with the superintendent of education and the adjutant general being appointed by the governor with the advice and consent of the Senate, while the secretary of state’s office would be consolidated into the Department of Revenue.

In **Budgeting, Finance and Accounting**, the commission focused on what it believed to be a number of critical issues pertaining to the financial management of state government. The state has already seen warning signs that many of its core systems are financially at risk, and the budget crisis has worsened in each of the last three years. The commission makes recommendations to alter the way we forecast revenues and use projections in the budget-writing process. We also recommend an increase in the Capital Reserve Fund from 2% to 3%, implementation of a statewide capital budgeting process and implementation of a performance-based budget system.

In **Human Resources**, the commission finds that human capital is the major resource in state government. The lack of a unified system that guides each agency's management toward the common goal of achieving excellence contributes to fragmentation and costly duplication of effort. There is insufficient emphasis on agency accountability; recruitment, retention and training of employee talent; human resources technology; the appropriate use of retirement; and the Teacher and Employee Retention Incentive (TERI) program. Therefore, there is a need for a central authority to hold agency management accountable in the consistent application of human resources policies.

Finally, retirement eligibility of more than 30% of the state's work force in the next five years poses a serious threat to the adequacy of our work force and elevates the need for agencies to properly apply recruitment, retention and training tools. The TERI program should be repealed prospectively and the South Carolina Retirement Systems (SCRS) statutes amended to conform to recent amendments to the Police Officer's Retirement Systems (PORS) statutes. This would result in a reduction in unfunded liabilities of \$650 million and the amortization period from 24 years to 17 years.

In assessing **Information Technology**, the commission determined that technology must support the business objectives of state government, not drive them. Although technology can be an enabler to increase the value of the services government provides, technology must follow the customer-driven requirements identified by the agencies in providing services to their customers. Our goals included removing redundant systems, aggregating hardware and software purchases and reducing the labor-intensive work of managing the government's technology infrastructure. Today, the state's information technology is planned and procured in a highly decentralized manner. Over time, agencies have become more and more independent of any central IT organization. As they designed and built their own networks and data centers, they also hired their own IT staffs to manage and maintain these systems. This not only wastes millions of taxpayer dollars each year, but also leaves government IT systems potentially more vulnerable to security breaches. There are a number of specific recommendations to reverse this dangerous trend.

The **Transportation Committee** found that through cooperation of the various state agencies, State Fleet Management can manage the state's fleet of cars, light trucks and other vehicles up to one-ton capacity. The cooperation will also allow for the consolidation of some maintenance facilities. The formation of a Transportation Services Management Office will allow for coordination of transportation activities, including Human Services

Transportation, School Bus Transportation, and Aeronautics Operations. These changes, as the South Carolina Department of Transportation continues to work to improve the transportation infrastructure, will result not only in a savings of tax dollars, but also make for more efficient use of those dollars.

In reviewing **Facilities and Capital Asset Management**, the commission determined that the most significant need is for the creation of a central building authority with the ability to manage the acquisition, maintenance, utilization and disposal of real property. Although we attempted to prioritize and suggest properties for disposition as surplus, state government has never performed an overall portfolio analysis that would make information-driven decisions about the operating effectiveness of facilities owned or occupied by state agencies.

The **Procurement Committee** believes that changes in the state procurement process would better serve the state and its citizens. The committee recommends increasing the centralization of procurement information, increasing the funneling of solicitations that are common to multiple agencies and encouraging increased participation in the procurement process for in-state businesses as well as for small businesses. To this end, it is incumbent on state government to move toward a standardized procurement and financial/accounting system to reduce the requirement to process data from the various procurement systems throughout the state. Further, a centralized procurement system will lead to increased efficiencies through a reduction in the administrative burden, improved communication between agencies, improved access by the vendor community and improved management oversight of the entire procurement process.

The **Public Safety Committee** looked at those agencies with a significant public safety mission, including natural disaster preparedness and homeland security. The current lack of communications capability between law enforcement agencies and the lack of centralized procurement for all state law enforcement agencies were the primary concerns.

The **Customer Satisfaction Committee** probed public opinion through surveys, focus groups and opinion polls. While a majority of citizens are generally satisfied with the direction state government is heading, they would like to see “one-stop” shopping. They would also like to see standardization and sharing of data across agencies and programs, requiring information to be provided only once. State employees are overwhelmingly concerned about the recent budget cut-backs. They would like to see a streamlining of agency administration and process improvement initiatives involving frontline services providers.

Finally, the commission performed an operational review of the **Department of Social Services** using a team of employees from various levels within the agency and outside consultants to propose a structural reorganization of the department. The focus on improving efficiency and effectiveness in the delivery of core services to key clients includes an expanded use of information technology and improving communication, performance evaluation, quality assurance, and both strategic and short-term implementation planning.

Many of the recommendations for changing the way we do business in South Carolina can be implemented by the governor under existing executive powers if he believes them to be beneficial. The majority of recommendations require authorization by either the Budget and Control Board or the General Assembly, while a number would require constitutional amendments before being enacted. In as many places as possible, we have attempted to specify the body or the mechanism by which changes can be implemented.

The fiscal impact of the commission's recommendations is enormous. In keeping with the charge to find ways to save costs and improve efficiencies, we make recommendations that we estimate would save \$225 million first-year and over \$300 million annually thereafter. This is in addition to the estimated \$650 million savings to be derived from prospective elimination of the TERI program.